
Plan 2 for PERS, SERS, TRS and LEOFF

Recovery of withdrawn or optional service credit

The actual provisions governing the recovery of withdrawn or optional service credit are contained in the Revised Code of Washington (RCW). This publication is a summary of those provisions, not a complete description of the law, and describes provisions currently in effect. If there are any conflicts between what is written in this brochure and what is contained in the law, the applicable law will govern.

This publication relates to the following retirement systems:

- Public Employees' (PERS) Plan 2
- School Employees' (SERS) Plan 2
- Teachers' (TRS) Plan 2
- Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2

Many public employees in Washington State leave public employment sometime during their careers and exercise the option to withdraw their contributions from their retirement fund. Members who withdraw their contributions lose all service credit associated with the withdrawn contributions and any future benefits based on that service credit. There are three different ways to recover service credit lost due to the withdrawal of contributions.

- 1. Restoration:** You return to the same retirement system from which you withdrew and complete restoration within 60 months (five years) after returning to service. See below.
 - 2. Dual Member Restoration:** You join a retirement system other than the one you withdrew from, and restore the service withdrawn from the first system. Both retirement systems must be dual member systems. See page 2.
 - 3. Service Credit Purchase:** You may still purchase withdrawn service credit if the deadline passes before restoration is completed. See pages 2 and 3.
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What are the rules for restoration?

Restoration rules apply to service credit lost due to withdrawal of contributions. Under restoration rules, you repay the full amount of the original withdrawal, plus recovery interest compounded from the time of withdrawal until the restoration costs are paid in full.

Note on Rollovers and Transfers: In many cases it is possible to roll over funds from another tax-deferred retirement account to satisfy restoration or service credit purchase billings. You are advised to check with the administrator of your tax-deferred account to see if those dollars can be rolled over or transferred to the Department of Retirement Systems (DRS). DRS is classified by the Internal Revenue Service (IRS) as a 401(a) account. Funds in excess of billing cannot be rolled over to DRS.

To qualify for restoration

You may only apply for restoration after you reestablish membership in the same system from which you withdrew by working in a position covered by that system. If you wish to apply for restoration, see contact information on page 4.

Restoration deadlines and payment options

You are required to initiate and complete restoration payments within 60 calendar months (five years) of returning to service, except where dual membership is involved. Dual member restoration rules are outlined on page 2.

Restoration payments must be completed before retirement. Restorations can be paid in a lump sum, or in installment payments. Restoration payments not paid in full by the deadline, will be refunded after the deadline passes and the associated service credit will not be restored to your account.

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If employment is terminated prior to completing restoration payment

You may continue your restoration payments even if you leave active service. If you return to service, begin restoration payments, leave your job, and again withdraw your contributions, payments for the first withdrawal must still be completed by the original deadline or the service is permanently unrecoverable under restoration recovery rules. However, it may be regained using service credit purchase rules (see example).

EXAMPLE: Leaving service prior to completion of restoration

Mary is a Plan 2 member. After six years of service, she ended employment and withdrew her accumulated contributions. Later she returned to work and began making restoration payments. She had five calendar years (60 months) to complete payment. After four years Mary again left employment and elected to withdraw her contributions before completing payment of her first restoration. Two years later she returned to service and elected to restore her withdrawn credit. Mary is unable to resume payment for the six years of service credit lost during the first withdrawal because her deadline passed (five years) while she was out of service. She is, however, able to begin restoration of the service credit for the two years she worked after the first withdrawal. She has five years to complete that restoration.

What are the rules for dual member restoration?

A dual member:

- Is currently an active member of PERS Plan 1, 2 or 3; TRS Plan 1, 2 or 3; SERS Plan 2 or 3; LEOFF Plan 2; WSPRS Plan 1 or 2; or the city retirement system of Tacoma, Seattle, or Spokane; and
- Has previously been a member of one or more of these systems or the Statewide City Employees' Retirement System (SCERS) in addition to the system in which he or she is currently a member; and
- Has never been retired from service and is not currently receiving a disability retirement benefit or disability leave benefit from any public retirement system in the state of Washington.

Dual member restoration rules and deadlines apply to all dual member systems and plans

For restoration under dual membership, you must repay the amount withdrawn plus interest within 24 months (2 years) of becoming a dual member or before you retire, whichever comes first.

For more information about dual membership rights, refer to the DRS publication, *What Is Dual Membership and How Does it Affect Me?* This publication is available on the DRS Internet site or in print through DRS or your personnel/payroll office. See page 4 for Internet address and DRS contact information.

What are the rules for service credit purchase?

All active Plan 2 members have the option to purchase withdrawn service credit even after deadlines for normal or dual member restoration have passed. Service credit purchased under this law costs much more than service credit recovery within statutory deadlines. This is because cost is based on the increased value of your retirement benefit, not on the amount of withdrawn contributions.

- You may purchase service credit in increments as small as the amount earned in one month.
- You are not limited to a single purchase, and may purchase credit up until you retire.

If you wish to apply for service credit purchase, contact DRS to receive a billing. See contact information on page 4.

NOTE: In many cases it is possible to roll over funds from another tax-deferred retirement account to satisfy restoration or service credit purchase billings. See note on rollovers and transfers on page 1.

Calculating the cost for service credit purchase

DRS uses a formula based on the following:

- Your highest average annual earnings, which would be used for computing your benefit in the system in which you are purchasing service credit. This definition can be found in your Member Handbook.
- The amount of service credit being purchased.
- An actuarial factor or factors based on your earliest possible retirement date and the system and plan under which the service credit was earned.

Note: If you purchase PERS, TRS, or SERS service credit under this law then subsequently transfer to Plan 3, 50 percent of the amount you pay will be credited to your defined contribution account and the remainder will be used to fund the one percent defined benefit.

Actuarial factors are assigned by system and plan

Under Plan 2, the age a member becomes eligible for an unreduced retirement benefit is set by law. This is called the “normal retirement age.”

Service credit purchases are calculated using a basic formula and a single, system-specific, actuarial factor. The factor is based on the how far the member is from normal retirement age. Under Plan 2 a member must have at least five years of service credit to qualify for retirement.

Normal Retirement Age

PERS, TRS and SERS Plans 2	65
LEOFF Plan 2	53

SERVICE CREDIT PURCHASE FORMULA

$$\begin{aligned} &\text{Average Annual Earnings} \times \text{Service Credit} \\ &\text{Years Purchased} \times \text{Actuarial Factor for your plan} \\ &= \text{Purchase Price} \end{aligned}$$

Basic Formula Actuarial Factors

Actuarial factors are subject to periodic change. The table below was accurate as of May 2003. Check with DRS for current tables.

	PERS 2	TRS 2	SERS 2	LEOFF 2
0	0.2300	0.2454	0.2445	0.2922
1	0.2226	0.2374	0.2366	0.2827
2	0.2154	0.2297	0.2289	0.2736
3	0.2084	0.2223	0.2215	0.2647
4	0.2016	0.2151	0.2143	0.2561
5	0.1951	0.2081	0.2074	0.2478
6	0.1888	0.2014	0.2007	0.2398
7	0.1826	0.1949	0.1942	0.2320
8	0.1767	0.1885	0.1879	0.2245
9	0.1710	0.1824	0.1818	0.2172
10	0.1655	0.1765	0.1759	0.2102
11	0.1601	0.1708	0.1702	0.2034
12	0.1549	0.1653	0.1647	0.1968
13	0.1499	0.1599	0.1593	0.1904
14	0.1450	0.1547	0.1542	0.1842
15	0.1403	0.1497	0.1492	0.1783
16	0.1358	0.1449	0.1443	0.1725
17	0.1314	0.1402	0.1397	0.1669
18	0.1271	0.1356	0.1351	0.1615
19	0.1230	0.1312	0.1308	0.1562
20	0.1190	0.1270	0.1265	0.1512
21	0.1152	0.1229	0.1224	0.1463
22	0.1114	0.1189	0.1185	0.1415
23	0.1078	0.1150	0.1146	0.1370
24	0.1043	0.1113	0.1109	0.1325
25	0.1009	0.1077	0.1073	0.1282
26	0.0977	0.1042	0.1038	0.1241
27	0.0945	0.1008	0.1005	0.1200
28	0.0914	0.0976	0.0972	0.1162
29	0.0885	0.0944	0.0941	0.1124
30	0.0856	0.0913	0.0910	0.1088

EXAMPLE: Purchasing service credit

James is an active PERS Plan 2 member. He is age 61, four years from normal retirement age. Early in his career he left his job and withdrew the two years contributions he had accumulated. Later he returned to another PERS 2 job but did not restore within 60 months. He now has 10 years in PERS Plan 2 and wishes to purchase the two years that he lost when he withdrew. His average earnings are \$36,000 per year. His Calculation is as follows:

$$\begin{aligned} &\text{Average Annual Earnings} \times \text{Service Years Purchased} \times \text{PERS 2 Factor} = \text{Purchase Price} \\ &\$36,000 \times 2 \times 0.2016 = \$14,515.20 \end{aligned}$$

What is optional service credit and how do I apply for it?

Plan 2 members have the option to apply for service credit for periods of public service or a leave of absence that fall under rules other than normally accumulated service credit. This is referred to as “optional service.” Optional service can be acquired by paying contributions within a specific time period immediately after returning to normal active service. While payment for optional service credit must be initiated while actively employed in a covered position, payments can be completed regardless of employment status.

Some common types of optional service

- Authorized leaves of absence
- Temporary duty disability
- Legislative employment
- Military service that interrupts employment
- Service as an elected official
- Service in the Statewide City Employees’ Retirement System

If statutory deadlines have passed, you can still recover optional service credit

Though it is considerably more expensive than recovering the service within the statutory deadline, optional service can be purchased any time during active membership under Service Credit Purchase provisions. See page 2-3.

If you have questions about optional service credit

If you have questions concerning any periods of time that you think may qualify as optional service, call DRS and speak with a Retirement Services Analyst. See contact information below.

What do I need to do?

To initiate the recovery of service credit, or to obtain an estimate for the cost of service credit purchase, contact DRS. Be sure to provide your: name, retirement system, Social Security Number, mailing address, and daytime telephone number.

Send your mail to:

Department of Retirement Systems
Name of your System (PERS, TRS, or LEOFF)
PO Box 48380
Olympia WA 98504-8380

DRS telephone contacts and email address:

Toll-free at 1-800-547-6657. Olympia area members call (360) 664-7000.
recep@drs.wa.gov

DRS Internet site:

You will find this publication and a variety of other information about your retirement plan on the DRS Internet site (<http://www.drs.wa.gov>).